

The most striking developments in the international economic sphere during 1971 were the measures announced August 15 by President Nixon to deal with certain problems facing the United States economy, and the multilateral and bilateral discussions with the major trading partners of the U.S. which resulted from that initiative. An interim arrangement on certain monetary aspects of the matter was hammered out in December and at the year's end talks were to be continued on longer-term monetary and financial issues and both immediate and longer-term trade questions.

The year 1971 also witnessed a continuation of efforts to contain the tendencies toward protectionism that were manifested in various parts of the world and to promote the further liberalization and expansion of multilateral trade, which in the past 25 years has significantly contributed to the growth in prosperity. The growth of trade among OECD countries, however, slumped from a rate of 12 per cent in 1969 to only 6 per cent in 1971. With the monetary settlement in December, observers looked to 1972 with cautious optimism, though not much improvement was expected in the first half of the year.

Canadian trade continued to develop significantly in 1971, with exports rising by almost \$1,000 million to \$17,746 million, while imports showed a dramatic increase, from \$13,833 million in 1970 to \$15,552 million. The current account showed the second surplus in a row, this year of \$245 million, considerably lower than last year's surplus of \$1,060 million but probably a more accurate reflection of underlying trends. The Canadian dollar, which was freed from its fixed parity rate in the spring of 1970, remained floating and by the end of 1971 was trading at near parity with the U.S. dollar.

Multilateral Economic Relations

The United States economic measures announced on August 15 were the most dramatic development during 1971. Owing to the predominant position the United States has held in the world commercial and financial structure, the 10 percent import surcharge, the suspension of gold convertibility, and other features of the U.S. move together served to set in motion an immediate and intensive series of multilateral consultations.

Several major international organizations gave urgent attention to the crisis. The GATT, following the conclusions of a working party commissioned to examine the effects of the surcharge on international trade, was critical. In the United Nations context, the Trade and Development Board of UNCTAD, the developing countries meeting as the "Group of 77", and the General Assembly itself passed resolutions calling for removal of the surcharge.

Apart from the effect of the U.S. measures on Canada's own economy, Canada expressed grave concern over the adverse effects on trade liberalization, the possibility of a spiral of retaliatory measures, and the development of self-contained trade blocs. While the effects of the U.S. economic measures were most acutely felt in their actual and expected impact on trade, they originated at least as much out of certain monetary problems. It was, finally, an international agreement on currency realignment, negotiated in a series of meetings of the "Group of Ten" (the most industrialized countries of the non-Communist world), that on December 18 brought removal of the surcharge, an American agreement to increase the dollar price of gold, and a cooling of the tense atmosphere.